

Committee on Agriculture
U.S. House of Representatives

Michael Hively
Testimony
Date: 2/2/2006

Title I Commodity Program

This year the United States will become an overall importer of food, receiving more food from imports than we ship in exports to other countries. Importing America's food is expected to remain unchanged indefinitely because US growers produce primarily the few select crops of corn, soybeans, wheat, rice and cotton that are subsidized. Thus it would appear that subsidizing crops created the unintended consequence of wiping out diversity in agriculture in America. Additionally, it is anticipated that subsidized payments for these limited crops will exceed \$23 billion this year.

What we really need to do to change from an overall importer of food, is to create a market driven agriculture program that develops and produces what consumers demands; as well as diversity in products grown.

We cannot however, forget that subsidies were put in place in order to soften the normal risks of farming, such as weather and price. These real conditions and threats exist today and subsidized payments are necessary to support prices at a profitable level. Therefore, **subsidies cannot be eliminated without jeopardizing the entire agriculture community**; however, if the subsidized blanket of protection were extended to all produce or produce that is in short supply the following would be achieved:

- 1) Diversity of produce; farmers would plant based on a wide choice dependent on market demand of what could be produced profitably.
- 2) Farmers will be encouraged to plant what grows best geographically increasing production.
- 3) Should not see an increase in subsidies payment; but possibly a decrease because farmers would plant what they grow best increasing productivity.
- 4) Diversity in crop planting creates a cleaner and a safer environment for all.
- 5) Enhance the production of crops in short supply that we will be importing into the US in favor of crops in surplus that are only being grown to take advantage of the commodity program.
- 6) Increase the number of farmer opportunities for new and young farmers because of new markets.
- 7) The foreseeable future of US farmers becoming once again the primary producer of food for the US.
- 8) Eliminate and/or reduce security concerns associated with being an overall importer of food.
- 9) Drastically reduce overproduction and chronically low prices created by the few subsidized produce items.

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Title I Miscellaneous

Crop Insurance:

Crop Insurance is without exception an absolute necessity and for the most part adequately provides protection for the American Farmer with a couple of exceptions:

1) Crop Insurance Premiums are not adjusted to reflect reduced coverage due the applicable stage that may apply.

The annual premium amount is determined, basically by:

Multiplying the production guarantee per acre times the price election, times the premium rate, times the insured acreage, times your share at the time coverage begins, and times any premium adjustment percentages that may apply.

In the following example, guaranteed coverage at the final level is \$2.2 million with premium cost of \$122,392.00; in this same example if the crop has only reach stage 2 production at the time of loss, the guaranteed coverage is reduced to 60% or 1.2 million, but the premium remains at \$122,392.00. No consideration is given for the reduction in guaranteed coverage. In this example, if the premium were adjusted to reflect 60% coverage guarantee, the farmer would benefit from the reduction of premium in the amount of \$48,956.80.

FSN #	Unit	Farm Name	Acres / Qty	Guarantee (CWT) Per Acre	Guarantee Price Per Acre	Guaranteed Coverage	Premium Cost	Claim Less Insurance	Comments
9999	00101	Miscellaneous Field	705.6	128.7	\$ 24.35	\$2,211,241.03	(122,392.00)	\$ 2,088,849.03	Insurance 122,392.00
Total Claim Final Stage 100% Level								\$ 2,088,849.03	

9999	00101	Miscellaneous Field	705.6	128.7	\$ 24.35	\$1,326,744.62	(122,392.00)	\$ 1,204,352.62	Insurance Remains at \$122,392 even though coverage is reduced.
Total Claim Stage 2 (60% Level)								\$ 1,204,352.62	\$ -

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- 2) **Determination of "Stage" should be based on two factors crop development and costs associated with crop.** For example, 70 % of our crop was lost last year due to a hail storm. The crop was 2 weeks away from harvest and was valued at approximately 9 million dollars. The crop was determined for insurance purposes to be stage 2 (crop not plowed); therefore, crop insurance was reduced from 3.1 million to 2.1 million. If crop insurance were modified to include crop development and costs associated with crop, this crop would have qualified for final stage.

Credit Issues

America has yet to develop adequate credit organizations for funding the agriculture community. A noteworthy mention is the continued support and expertise of Farm Credit to the farming Community.

1. Farm Credit was established to provide a dependable source of credit to farmers and rural America. A strong, viable Credit system is vital to providing capital to rural America and to agricultural operations
2. Farm Credit's expertise in agricultural financing is key in today's changing agriculture market place. Having lenders that understand agriculture is imperative.

For example, The Tobacco Buyout Program commitments made by Farm Credit were funded as planned; however, other non-rural investors had difficulty understanding USDA and crop liens which created unnecessary delay in payments.

Disaster Payments

Disaster Payments designed for clean-up should be applied uniformly to all disasters within the US.

MICHAEL HIVELY

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Chief Financial Officer • General Manager

Extensively experienced and goal-oriented Chief Financial Officer and General Manager with a confirmed track record. Proven proficiency in driving efficiency and productivity through evaluation of management systems and implementation of process improvements. Talented leader directing highly skilled management teams to support achievement of overall corporate goals and objectives.

Core competencies include:

- | | | |
|-------------------------|-------------------|---------------------------|
| • Accounting Management | • Cash Management | • Technology Integration |
| • Financial Analysis | • Budgeting | • Regulatory Compliance |
| • Forecasting | • Cost Reductions | • Efficiency Improvements |
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CAREER EXPERIENCE

BLAND FARMS, LLC, Glennville, GA, 2002 – Present

Chief Financial Officer/General Manager

Responsible for all financial and operational decisions made throughout the company. Directs a large management team consisting of farm, finance, warehouse, maintenance, harvesting/planting, and quality control on a daily basis.

- Joined company during Chapter 11 with debt of \$17.4 million
 - Filed a successful five year plan of reorganization. Completed plan in less than three years.
 - Paid back secured creditors dollar for dollar; and unsecured creditors fifty cent per dollar.
- Four year of profitability (2002, 2003, 2004, 2005).
- Reduced debt to \$9.5 million in three and half years from profits generated by the company. During third year he paid cash for \$1.5 million in capital improvements.
- Restructured company by organizing and directing a team of professional.

DEL MONTE FREASH PRODUCE (SOUTHEAST), INC, 2000-2002

General Manager

Fully responsible for overall production and development of the Southeast farming unit with sweet onions, greens, and cantaloupe being the primary crops produced. Administer, on a daily basis, the professional direction of a large management team.

Continued...

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CAREER EXPERIENCE CONTINUED

DEL MONTE FRESH PRODUCE (SOUTHEAST/SOUTHWEST), INC., Georgia, Arizona, 1997-2000

Manager, Finance, & Administration

Develop and present annual operating plans and monthly forecasts for two independent legal entities. Research and analyze anticipated costs and related revenue associated with determining the financial feasibility of potential growth projects. Evaluate market data and monitor daily performance to identify significant business development opportunities. Monitor warehouse operations in terms of costs, trends and inventory control. Manage, train and supervise accounting, administrative and seasonal shipping and receiving staff. Assess current day's work flow and requirements and advise staff accordingly. Implement efficient procedures and provide well-defined steps to insure accurate inventory and system controls.

DEL MONTE FRESH PRODUCE, N.A., Florida, 1995-1997

Financial Analyst

Fully responsible for all financial reporting for the Jacksonville and Plant City Distribution and Ripening Centers. Planned all daily delivery routes as well as driver schedules. Handled all hiring of drivers and warehouse personnel. Supervise accounting and shipping clerks and verify the accuracy of work completed. Additional duties included signing all A/P and Distribution Center invoices; the preparation of Capital Acquisition Requests (including vehicle leases) for corporate approval; analyzing costs associated with major projects; performing a daily reconciliation of inventory; assisting the General Manager with annual budgets and monthly projections, along with preparation of written procedures for various departmental activities.

TAMPA INDEPENDENT DAIRY FARMERS, Florida, 1992-1995

Senior Accountant

Responsible for all duties directed toward the general ledger. Prepared all Financial Statements for each farm. Managed Accounts Payable Department and the preparation of all liquidations to independent growers (260 producing dairy farms).

PACIFIC TOMATO GROWERS, Florida, 1989-1992

Grower / Farm Accountant

Responsible for all duties directed toward the general ledger. Maintained and coordinated all required government reporting for water and pesticide use. Handled all grower contacts and monitored profitability of outside growers, joint ventures, partnerships and company owned farms.

ROGER HARLOFF FARMS, Florida, 1984-1989

Controller / Office Manager

Responsible for all chemical purchasing and equipment leasing. Maintained all record keeping for farm managers and ran the office. Supervised payroll clerk, two accounts payable clerks and the receptionist. Helped prepare journal entries and general ledger account reconciliations.

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EDUCATION

Bachelor of Economics & Accounting (1982)

MUSKINGUM COLLEGE – Ohio

Fifth Year CPA Program (1988)

UNIVERSITY OF SOUTH FLORIDA – Florida

PERSONAL INTERESTS

- Breeding and training horses.
- Golf and other outdoor activities.

MICHAEL HIVELY

Biography

Michael Hively is a native of Ohio and is employed by Bland Farms, LLC in Glennville, GA as the Chief Financial Officer and General Manager. Mr. Hively has a degree in Economics and Accounting from Muskingum College. He currently resides in Glennville with his wife Verna Hively. They have four children and two grandchildren.

Mr. Hively has been employed in the produce and dairy industry for twenty three years. He held the position of General Manager in Delmonte's southwest and southeast divisions. One of Mr. Hively's major accomplishments came with the restructuring of Bland Farms due to bankruptcy. He organized and directed a team of professionals which eventually reduced debt by \$8 million and created profits in four consecutive years. He successfully negotiated contracts in 2005 leading to Bland Farms domination of market share in Peru Sweet Onions.

He is active both in his community and in the agriculture industry. He is currently acting as the Vice Chairman of the Vidalia Onion Committee, Trustee of the National Onion Association, and a Member of Leadership for Tattnall County.

Mr. Hively's leisure time is spent with his family and at his stables. Both he and his wife are avid lovers of horses. They devote time and love in breeding and training them. He also enjoys golf.

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Required Witness Disclosure Form**

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

Name: Michael Hively
Address: 13918 Hwy 169, Glenville, GA 30427
Telephone: 912-654-3211
Organization you represent (if any): none

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2004, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: N/A Amount: N/A
Source: N/A Amount: N/A

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2004, as well as the source and the amount of each grant or contract:

Source: N/A Amount: N/A
Source: N/A Amount: N/A

Please check here if this form is NOT applicable to you: _____

Signature: 

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.